

CareFirst / Trigon Partnership

Summary of Key Business Terms

Transaction

Trigon shall acquire 100% of the CareFirst Common Stock (the "Transaction") for aggregate consideration of \$1.3 billion ("Aggregate Purchase Price"). The Conversion shall be structured as a tax-free reorganization, and the parties shall receive an appropriate tax ruling. Trigon will work with CareFirst to develop an appropriate mechanism for maximizing the prospects for approval without jeopardizing the tax-free treatment.

Consideration

We are flexible with respect to the mix of consideration, recognizing the benefit of balancing the percentage of consideration in cash to enable the Tax Exempt Entities to fund their missions immediately, with the percentage of consideration in stock that gives the Tax Exempt Entities an opportunity to participate in the future success and ongoing value of the combined company. We propose that the aggregate consideration paid by Trigon for 100% of the CareFirst Common Stock (the "Aggregate Consideration") shall be structured 60% in cash and 40% in Trigon stock.

Stock Component

A fixed price method shall be employed to determine the stock component, subject to the issuance of a maximum number of shares, to be agreed upon.

Registration Rights

Trigon is committed to assisting the Tax Exempt Entities with the orderly liquidation of their equity holdings. We will cooperate with the Tax Exempt Entities in registering and marketing their shares, subject to the market's reasonable ability to absorb the volume and appropriate provisions limiting registration during certain periods. The Tax Exempt Entities shall be entitled to mutually agreeable demand registrations and piggyback rights.

Voting Trust

Any Tax Exempt Entity that owns more than 5% of Trigon stock will enter into a voting trust agreement reflecting the voting, standstill, and sell down provisions as mutually agreed upon by the BCBSA, the Tax Exempt Entity and Trigon.

Financing

We are confident that we can finance the cash portion of the Aggregate Consideration with existing cash and existing or new debt facilities. We are prepared to provide, prior to any final regulatory hearing, proof of financing capacity reasonably satisfactory to CareFirst that we will have sufficient funds at closing. Given that there may be a substantial period of time between signing of the definitive agreement and closing, we believe that obtaining any additional commitment or financing at this time is not in the best interest of the combined companies.

Headquarters

Trigon is willing to relocate its corporate headquarters from Richmond to a site that best serves the interests of the combined company, of course, subject to discussions with key government officials. We are willing and eager to further explore the possibility of headquarters locations in Northern Virginia, the District of Columbia, or Maryland. We recognize the importance of the relationships that the leaders of both our companies have established within their local markets, and value highly the continuity of these close associations.

Board Representation

Five members of the CareFirst Board of Directors, to be mutually agreed upon by CareFirst and Trigon, shall be appointed to the Board of Directors of Trigon HealthCare, Inc. at closing.

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Existing Boards of Directors

It is our intention to preserve the roles of the existing Boards of Directors of CareFirst of Maryland, DC and Delaware as Advisory Boards, and we would be grateful if the current members of these boards would continue to serve the Company and the community by providing advice and counsel on issues of service, provider policy, member satisfaction, and health care quality, in addition to providing input and feedback with respect to our local market integration plans and community relations programs.

Non-Solicitation

Trigon and its Board of Directors are committed to this partnership with CareFirst. It is a watershed transaction for our company, and in committing to it wholly our reputation, management time, and substantial financial resources, we irrevocably foreclose other partnership opportunities through which we could grow and compete effectively against large national competitors. We understand that CareFirst, its Board, and its management team are making a commitment of similar magnitude and consequence. Accordingly, we would ask that CareFirst not, directly or indirectly, solicit, initiate, encourage, induce or accept any Acquisition Proposal with respect to CareFirst or engage in negotiations with, or disclose any nonpublic information relating to CareFirst to any Person that may be considering making, or has made, an Acquisition Proposal with respect to CareFirst.

Transaction Protection

We would like to discuss appropriate transaction protection mechanisms, including a proposal that if CareFirst terminates its Agreement with Trigon and enters into a Definitive Agreement with another party within two years following termination, then CareFirst would pay to Trigon a termination fee in recognition of its substantial investment.

Expense Reimbursement

While both CareFirst and Trigon will bear liability for their own expenses associated with this Transaction, our conversion experience suggests that we are likely to bear substantial expenses on behalf of third parties involved in the approval process. We would like to discuss appropriate provisions for allocating these costs.

Termination provisions

We share with the CareFirst team a deep concern that the length of time and conditions required for regulatory approvals may prove costly to both companies in terms of immediate economic impact and our future abilities to compete effectively in our markets. We also share a strong commitment to this transaction and would hope to work with the CareFirst team in developing termination provisions that balance our need to protect both parties from the harm that might result from undue delay or burdensome conditions, with our respect for the needs of regulators and legislators, who must faithfully and carefully discharge their duties.

Corporate names

We are committed to whatever corporate branding approach makes the best business sense. Choosing a single name under which to market BCBS coverage in our overlapping markets makes sense. Between signing and closing, the Transition team will market test the CareFirst BCBS and Trigon BCBS names to determine whether either, or a new BCBS trade name, is most effective. We would then transition the preferred market place name on a schedule that makes sense, subject, of course, to appropriate regulatory and BCBSA approval. The holding company, known to investors around the world, will continue to trade on the New York Stock Exchange as Trigon HealthCare, Inc. (TGH)

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Organization and Reporting Structures

William L. Jews will serve as Chairman of the Board of Trigon HealthCare, Inc., and as CEO of the CareFirst Companies. Thomas G. Snead, Jr. will serve as CEO of Trigon HealthCare, Inc., and as CEO of Trigon BCBS. Messrs. Jews and Snead will work in partnership to jointly recommend the slate of senior officers to the Board of Directors, set strategy and targets, integrate the operations and culture of the two organizations, and develop partnerships with other health plans.

Commitment to associates

Trigon recognizes the value CareFirst employees have created, and recognizes the importance of the continued contribution of their talents. It is our belief that our partnership will lead to increased career opportunities for employees from both companies as our combined company grows. We are committed to a philosophy of advancement based on merit, and career opportunities based on performance and potential, not patronage. As we integrate our two companies, we will pick the best people for available positions, regardless of the partner plan for which they happen to work today. Since the bulk of the value creation opportunities that we foresee come from growth, we do not anticipate substantial dislocations of employees. However, consistent with our culture and values, any associates of the combined company who suffer dislocation will be treated fairly, consistently, and compassionately.

Presence

Trigon is sensitive to the issues of local employment and we are committed to maintaining a continuing presence in the markets in which we compete at a level commensurate with our opportunity.

Location of employees / facilities by state

Trigon shares the CareFirst team's belief that healthcare is a locally delivered business. Trigon is committed to a substantial continuing employee presence in CareFirst's markets. We are confident that the combination of our organizations will ultimately allow us together to create new employment opportunities in our combined markets. Decisions regarding the locations of future operations will be made in consultation with the local Advisory Boards.

Continued service of segments

Our strategy is founded on creating and delivering value to our members at an economic level that allows us to continue investing for growth. For those segments in which we are, together, able to deliver value for members, providers, and shareholders, we expect to see substantial growth. For those segments in which we are unable to create value, we anticipate working with the appropriate regulators, and others to find a constructive solution.

Continued relationships with providers

Trigon is committed to continue building upon CareFirst's strong provider relationships. Our long-standing strategy has been to cultivate, maintain, and improve a broad network of high-quality providers so that we can deliver value for our members. Today, we have the broadest networks in Virginia, with over 95% of physicians and 100% of hospitals voluntarily participating in our networks. We take a long term view of provider partnership, and have in place today hospital contracts with terms of up to twenty years. Working together with CareFirst, we have an opportunity to provide stability and create value for providers throughout the Mid-Atlantic region by offering long term agreements, eliminating administrative hassles, standardizing coverage for their patients and by investing in technology at a level unattainable by either of us independently.

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Confirmatory due diligence / list of documents

We would like to refresh our view of value based on the documents we requested on our document list submitted on November 14, 2000, through examination or discussion. In addition, we would request the following documents:

- In connection with each Affiliation (MD/DC/DE), a complete copy of the Affiliation Agreement and Inter-company Agreement
- "Snapshot" valuation of the Delaware business

Timetable

The CareFirst partnership is the single most important issue on our corporate agenda. We have the management resources and resolve to see this partnership through to its conclusion, beginning immediately. We are prepared for simultaneous confirmatory due diligence and negotiation of a definitive agreement within 30 days. The critical first step in our diligence process will be working with you in outlining the programmatic approach through which we will jointly ensure the successful completion of this partnership - including the key activities, milestones, and timelines for the negotiation, diligence, communication, filing, multijurisdictional approval and closing of this partnership agreement. We expect that your Board and management team share a similar commitment to seeing this partnership through to its successful and timely completion.

Approvals

The proposed transaction is also subject to certain other customary items being satisfied prior to consummating a transaction, including the negotiation and execution of a definitive purchase agreement and related documents, and receipt of required Board, shareholder and regulatory approvals.